

Message Text

CONFIDENTIAL

PAGE 01 JAKART 10167 271000Z
ACTION EA-12

INFO OCT-01 ISO-00 ONY-00 SS-15 SSO-00 /028 W
-----088503 271013Z /21 R

O R 270910Z JUL 78
FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC IMMEDIATE 462
INFO AMEMBASSY MANILA
AMCONSUL MEDAN

C O N F I D E N T I A L JAKARTA 10167

MANILA FOR USADB

E.O. 11652: GDS
TAGS: EAID, ID
SUBJECT: REVIEW OF ADB'S BELAWAN PORT PHASE I
BEFORE CHRISTOPHER COMMITTEE

REF: STATE 189317 (NOTAL)

1. EMBASSY AND RESIDENT IBRD MISSION UNAWARE OF ANY IBRD
PROJECT FOR BALAWAN PORT.

2. EMBASSY ASSUMES THAT BELAWAN PORT PROJECT BEFORE
CHRISTOPHER COMMITTEE MUST BE THE ADB "FIFTH PORT" PROJECT
AND OUR COMMENTS WILL RELATE TO THAT PROJECT.

3. PROPOSED AMOUNT OF LOAN IS \$35 MILLION. PROJECT IS
AIMED AT PROVIDING ADDITIONAL PORT FACILITIES AT BELAWAN,
PORT OF MEDAN, NORTH SUMATRA, IN ORDER TO INCREASE CAPA-
CITY TO KEEP PACE WITH GROWTH IN CARGO TRAFFICI UP TO
EARLY 1980'S. IT WILL INVOLVE CONSTRUCTION OF NEW BERTHS,
INCLUDING DREDGING, TRANSIT SHEDS, ANCILLARY INSTALLATIONS
AND SERVICES, AND CONSTRUCTION OF MAIN AND ESCONDARY ROADS.

4. DUE TO ARCHIPELAGIC NATURE OF INDONESIA, SHIPPING AND
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 JAKART 10167 271000Z

PORTS PLAY A CRUCIAL ROLE IN INDONESIA'S TRANSPORTATION
SYSTEM AND ITS DEVELOPMENTAL PROCESS. BELAWAN, THIRD MAJOR
PORT OF INDONESIA, IS LOCATED IN PROVINCE OF NORTH SUMATRA;
BUT, EFFECTIVELY, HINTERLAND OF PORT ALSO INCLUDES LARGE PORTION
OF NORTHERNMOST PROVINCE, ACHEH. HINTERLAND POPULATION WAS
ESTIMATED AT 9.8 MILLION IN 1977. HINTERLAND IS INTENSIVELY
CULTIVATED. IT IS AN IMPORTANT PRODUCER OF RUBBER, PALM OIL,

TEA, COFFEE, TOBACCO AND VEGETABLES.

5. BELAWAN'S PRESENT GENERAL CARGO HANDLING CAPACITY IS ESTIMATED AT ABOUT 1.7 MILLION TONS, WHEREAS ACTUAL TONNAGE IN 1975 EXCEEDED 3 MILLION TONS AND ANTICIPATED TRAFFIC IS PROJECTED TO INCREASE TO 5.5 MILLION TONS BY 1983.

6. OF THE 3,071 MILLION TONS OF CARGO HANDLED BY BELAWAN IN 1975 (LAST YEAR FOR WHICH WE HAVE COMPLETE FIGURES), OVER 47PCT OR NEARLY HALF WAS AGRICULTURE OR FOOD RELATED. (THIS FIGURE DOES NOT INCLUDE IMPORTS OF FARM RELATED MACHINERY OR FUEL FOR SAME.) HINTERLAND IS NOT SELF-SUFFICIENT IN FOODSTUFFS. OVER 260,000 TONS OF VITAL AND BASIC STAPLES OF RICE AND SUGAR WERE IMPORTED.

7. AT LEAST 6 AND PROBABLY CLOSER TO 7 MILLION PEOPLE ARE DEPENDENT UPON IMPORTS AND EXPORTS OF BELAWAN. NEARLY 80 PCT OF POPULATIONS OF NORTHERN SUMATRA WORKS IN THE VITAL AGRICULTURAL SECTOR. AGRICULTURE IS DOMINATED BY SMALL HOLDERS WHO HAVE AN AVERAGE INCOME OF AROUND \$36 PER MONTH.

8. EMPLOYMENT GENERATION WILL BE SIGNIFICANT, BOTH DIRECTLY FROM THIS PROJECT AND FROM THE LONG-TERM DEVELOPMENT OF SUMTRA'S PRODUCTIVE CAPACITY. BELAWAN CURRENTLY EMPLOYS 3500 WORKERS IN A HIGHLY LABOR INTENSIVE

CONFIDENTIAL

PAGE 03 JAKART 10167 271000Z

TENSIV OPERATION. THE PROJECTED EXPANSION OF PORT FACILITY DOES NOT INCLUDE CONTAINERIZATION OR OTHER SIGNIFICANTLY LABOR EFFICIENT DEVICES AND HENCE MORE PORT WORKERS WILL BE REQUIRED FOR THE EXPANDED FACILITY. PORT CONSTRUCTION ITSELF WILL GENERATE SIGNIFICANT EMPLOYMENT AS IT IS TO BE DONE ON A LABOR INTENSIVE BASIS.

9. IN SUMMARY, THE PROPOSED FIFTH PORT PROJECT IN INDONESIA FOR FIRST PHASE EXPANSION OF THE BELAWAN PORT IS DESIGNED TO CATER TO INCREASING TRAFFIC DEMAND FOR BALAWAN FACILITIES. NEED FOR ADDITIONAL FACILITIES IS URGENT. IT IS GENERALLY AGREED BY ALL OBSERVERS THAT EXPANSION OF BELAWAN PORT IS AN ABSOLUTE NECESSITY. ALREADY TRAFFIC IS WELL OVER CAPACITY. WITHOUT PORT ENLARGEMENT, THERE CAN BE NO SIGNIFICANT EXPANSION OF AGRICULTURE IN NORTHERN SUMATRA. THIS WOULD BE PARTICULARLY SERIOUS AS REGIONAL POPULATION GROWTH IS ALREADY WELL ABOVE NATIONAL INDONESIAN AVERAGE. IMPROVEMENT OF PORT IS VITAL PART OF INDONESIAN PROGRAM TO EXPAND NON-OIL EXPORTS. MISSION REPORTING, IBRD, ADB AND EVEN IMF HAVE ALL INDICATED GROWING CONCERN ABOUT NEED FOR INDONESIA TO REDUCE ITS RELIANCE ON OIL AND

INCREASE ITS NON-OIL EXPORTS. ADB LOAN WILL HELP
ACHIEVE THIS. IN OUR VIEW, PROPOSED LOAN CLEARLY
SATISFIES BASIC HUMAN NEEDS AND SUPPORT BY USG SHOULD
BE A FORGONE CONCLUSION.
GARDNER

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PORTS, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 27 jul 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978JAKART10167
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780308-0002
Format: TEL
From: JAKARTA
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780715/aaaaamiv.tel
Line Count: 121
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: b33dd76b-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: ONLY
Reference: 78 STATE 189317
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 06 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1870654
Secure: OPEN
Status: NATIVE
Subject: REVIEW OF ADB'S BELAWAN PORT PHASE I BEFORE CHRISTOPHER COMMITTEE
TAGS: EAID, EWWT, ID, IBRD
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/b33dd76b-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014